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## **Jiayuan International Group Limited**

**佳源國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2768)**

### **DISCLOSEABLE TRANSACTION**

## **EQUITY TRANSFER FRAMEWORK AGREEMENT IN RELATION TO THE POSSIBLE ACQUISITION OF 49% EQUITY INTEREST IN SHENZHEN SONGLING INDUSTRIAL CO., LTD.\***

### **THE EQUITY TRANSFER FRAMEWORK AGREEMENT**

The Board is pleased to announce that on 30 December 2016 (after trading hours), Jiayuan (Shenzhen), an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Framework Agreement with the Vendors and the Target Company, which set out the principal terms in respect of the sale and purchase of the Sale Interest (i.e. 49% equity interest in the Target Company) for an initial consideration of RMB610,000,000 (equivalent to approximately HK\$680,089,000), subject to downward adjustment by reference to the final plot ratio and site area for construction of the Bao'an Land. The parties further agreed to negotiate in good faith with respect to further acquisition of the remaining 51% equity interest in the Target Company by Jiayuan (Shenzhen).

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the Possible Acquisition contemplated under the Equity Transfer Framework Agreement exceed 5% but are less than 25%, the Possible Acquisition, taken individually, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

In the event the Further Acquisition materialise, the highest applicable percentage ratio in respect of the Possible Acquisition and the Further Acquisition, when calculated on an aggregated basis, exceeds 5% but is less than 25%, accordingly the Possible Acquisition and the Further Acquisition will still constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

**The Board wishes to emphasize that the Equity Transfer Framework Agreement may be terminated and no Formal Agreement may be entered into in respect of the Possible Acquisition in the event that the Due Diligence Investigation is not satisfactory. Accordingly, the transaction contemplated under the Equity Transfer Framework Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on 30 December 2016 (after trading hours), Jiayuan (Shenzhen), an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Framework Agreement with the Vendors and the Target Company, which set out the principal terms in respect of the sale and purchase of the Sale Interest for an initial consideration of RMB610,000,000 (equivalent to approximately HK\$680,089,000), subject to downward adjustment by reference to the final plot ratio and site area for construction of the Bao'an Land.

## **THE EQUITY TRANSFER FRAMEWORK AGREEMENT**

### **Date**

30 December 2016

### **Parties**

- (i) Jiayuan (Shenzhen), an indirect wholly-owned subsidiary of the Company, being the purchaser
- (ii) Ms. Yuan Aiqing, being one of the Vendors
- (iii) Mr. Xu Yanfeng, being one of the Vendors
- (iv) the Target Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Ms. Yuan Aiqing, Mr. Xu Yanfeng and the Target Company (and its ultimate beneficial owner(s)) is a third party independent of the Company and its connected persons.

### **Subject matter**

The Target Company is currently owned as to 40% and 60% by Ms. Yuan Aiqing and Mr. Xu Yanfeng, respectively.

The Sale Interest represents an aggregate of 49% equity interest in the Target Company, of which 19.6% is owned by Ms. Yuan Aiqing and 29.4% is owned by Mr. Xu Yanfeng. Upon completion of the Possible Acquisition, the Target Company will be owned as to 49%, 20.4% and 30.6% by Jiayuan (Shenzhen), Ms. Yuan Aiqing and Mr. Xu Yanfeng, respectively.

The Target Company holds the Bao'an Land and the Bao'an Project. Details of the Bao'an Land and the Bao'an Project are set out in the paragraph headed "General Information of the Parties to and Subject Matter of the Transaction — the Bao'an Land and the Bao'an Project" below.

## **Due Diligence Investigation and Exclusivity**

Jiayuan (Shenzhen) shall complete a due diligence investigation on the Target Company, the Bao'an Land and the Bao'an Project (the "**Due Diligence Investigation**") during a period of 20 Business Days from the date of execution of the Equity Transfer Framework Agreement.

Upon satisfactory completion of the Due Diligence Investigation, the parties will enter into the Formal Agreement with detailed terms and conditions in respect of the Possible Acquisition. If Jiayuan (Shenzhen) is not satisfied with the result of the Due Diligence Investigation, Jiayuan (Shenzhen) shall have the right to terminate the Equity Transfer Framework Agreement. In such event, the Vendors shall repay and refund in full the deposit paid by Jiayuan (Shenzhen) in respect of the Possible Acquisition.

For the period commencing from the date of execution of the Equity Transfer Framework Agreement and ending on the date of execution of the Formal Agreement, the Vendors shall not enter into or be involved in any discussion, negotiation or agreement with any other third parties in relation to the Bao'an Land and the Bao'an Project.

## **Undertakings of the Vendors**

The Vendors undertake that within 6 months from the date of execution of the Formal Agreement:

- (i) the Vendors shall obtain the approval from the relevant government authorities for the increase of plot ratio to 8.9 from the existing plot ratio of 7.7 in respect of the Bao'an Land (the "**Plot Ratio Increase Approval**"); and
- (ii) the Vendors shall procure the Target Company to pay the land premium and related taxes in full and obtain the land use rights certificate in respect of the Bao'an Land (the "**Land Use Rights Approval**").

If the Vendors fail to obtain the Plot Ratio Increase Approval within the stipulated timeframe, the initial consideration for the Possible Acquisition shall be adjusted in the manner set out in the paragraph headed "The Equity Transfer Framework Agreement — Downward Adjustment to the Consideration" below.

If (i) the Vendors fail to obtain the Land Use Rights Approval within the stipulated timeframe; or (ii) the Due Diligence Investigation result shows that the plot ratio of the Bao'an Land is lower than 7.7, Jiayuan (Shenzhen) will be entitled to request the Vendors to buy back the Sale Interest for an amount equivalent to the Consideration.

## **Consideration**

The initial consideration for the Possible Acquisition (the “**Consideration**”) shall be RMB610,000,000 (equivalent to approximately HK\$680,089,000) (subject to downward adjustment as set out in the paragraph headed “The Equity Transfer Framework Agreement — Downward Adjustment to the Consideration” below), which shall be settled in the following manners:

- (i) a sum of RMB50,000,000 (equivalent to approximately HK\$55,745,000) shall be paid to the Vendors as deposit within 5 Business Days from the date of execution of the Equity Transfer Framework Agreement, which shall be applied as part payment of the Consideration if the Formal Agreement is entered into subject to satisfactory Due Diligence Investigation; and
- (ii) the remaining balance of RMB560,000,000 (equivalent to approximately HK\$624,344,000) shall be paid to the Vendors within 5 Business Days from the date of execution of the Formal Agreement.

The Consideration has been arrived at after arm’s length negotiations between the parties to the Equity Transfer Framework Agreement with reference to (i) the estimated maximum value of the Bao’an Land in the amount of approximately RMB1,244,879,000 (equivalent to approximately HK\$1,387,916,000), on the basis of a plot ratio of 8.9 and site area for construction of 38,100 square meters at an agreed land price of RMB32,674 per square meter; and (ii) 49% equity interest in the Target Company. In assessing the estimated value of the Bao’an Land, the Group has taken into account (i) that the land supply in Bao’an, Shenzhen is scarce and tight; (ii) the central location of the Bao’an Land and potential value for development; and (iii) the prevailing market value of completed properties in nearby locations.

The Consideration will be funded by the internal resources of the Group and bank financing.

## **Downward Adjustment to the Consideration**

The Consideration is subject to downward adjustment if the Vendors fail to obtain the Plot Ratio Increase Approval from the relevant government authorities.

In such event, there shall be deducted from the Consideration an amount of RMB81,660,000 (equivalent to approximately HK\$91,043,000). The downward adjustment represents the reduced estimated value of the Bao’an Land if the Plot Ratio Increase Approval is rejected, in which case the estimated value of the Bao’an Land would be approximately RMB1,078,242,000 (equivalent to approximately HK\$1,202,132,000), on the basis of a plot ratio of 7.7 and site area for construction of 33,000 square meters at an agreed land price of RMB32,674 per square meter.

The Vendors shall pay to Jiayuan (Shenzhen) the amount of the downward adjustment within 5 Business Days from the date on which Jiayuan (Shenzhen) notify the Vendors of the downward adjustment in accordance with the Formal Agreement.

## **Transfer of the Sale Interest**

The Vendors shall complete the industry and commerce registration in respect of the transfer of the Sale Interest within 5 Business Days after full payment of the Consideration.

## **Further Acquisition**

Pursuant to the Equity Transfer Framework Agreement, the parties agreed to negotiate in good faith with respect to further acquisition of the remaining 51% equity interest in the Target Company (the “**Further Acquisition**”). The parties agreed that the consideration for the Further Acquisition shall be calculated by reference to (i) an agreed land price of RMB32,674 per square meter; (ii) the final site area of construction (up to a maximum of 38,100 square meters if the Plot Ratio Increase Approval is obtained), less the Consideration.

## **GENERAL INFORMATION OF THE PARTIES TO AND SUBJECT MATTER OF THE TRANSACTION**

### **The Group**

The Group is an established property developer of large-scale residential complex projects and integrated commercial complex projects in Jiangsu Province, the PRC. The principal activities of the Group include (i) the development and sale of residential and commercial properties; (ii) the provision of development services to government organisations for the development of resettlement properties and development or refurbishment of other types of properties, facilities or infrastructure; and (iii) the leasing of commercial properties owned or developed by the Group.

### **Jiayuan (Shenzhen)**

Jiayuan (Shenzhen) is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in corporate management consultation and economic information consultation.

### **The Target Company**

The Target Company is a company established under the laws of the PRC with limited liability. It is principally engaged in industrial sector, domestic commerce and supply of materials.

As at the date of this announcement, (i) the registered capital of the Target Company in the amount of RMB2,500,000 (equivalent to approximately HK\$2,787,000) was fully paid up and held as to 40% and 60% by Ms. Yuan Aiqing and Mr. Xu Yanfeng, respectively; and (ii) the Bao'an Land and the Bao'an Project were owned by the Target Company.

The following table sets out the financial information of the Target Company as extracted from its unaudited financial statements for the years ended 31 December 2014 and 31 December 2015, respectively:

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>
Net loss (both before and after taxation and extraordinary items)	43,000	39,000

As at 31 December 2015, the unaudited net asset value of the Target Company was approximately RMB1,860,000.

### **The Bao'an Land and the Bao'an Project**

The Bao'an Land (Lot No: A006-0201) is a parcel of land of an aggregate site area of approximately 4,281.3 square meters located at the intersection of Bao'an Fanshen Avenue and Jia'an Road, Bao'an District, Shenzhen, Guangdong Province of the PRC. Based on the representation from the Vendors and subject to the result of the Due Diligence Investigation, the Bao'an Land is planned for residential and commercial use with a plot ratio of 7.7 and the site area for construction of 33,000 square meters (the "**Bao'an Project**").

The Bao'an Land is situated at a central location with Longgang District to the east, Nanshan District and Futian District to the south, Ling Ding Yang to the west and Dongguan City to the north. The Bao'an Land enjoys convenient transportation and is well connected to an established transportation network. It is adjacent to three main Shenzhen Metro Lines, namely Lines No. 1, No. 5 and No. 11, and of close proximity to the local airport with only a 15-minute drive from Shenzhen Bao'an International Airport. The Bao'an Land is adjacent to parks and golf court and has an exquisite environment. There is also well developed and supported neighbourhood and community surrounding the Bao'an Land with readily available infrastructure and facilities. The Group considers the Bao'an Land has vast potential for the development of residential and commercial properties.

### **REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION**

The Board is of the view that the Possible Acquisition can expand the Group's land bank and the Bao'an Land is in line with the Group's strategy and commercial criteria for developing residential or commercial properties in first-tier cities of China.

The Group believes that the Possible Acquisition can effectively expand the Group's development scale in the core region of Pearl River Delta Region and enhance its presence and influence in Guangdong Province and the Pearl River Delta Region. It is conducive for the Company to better build on and utilise its brand advantage in the region and bring synergy to the Group's existing property development projects in the region.

Given the aforesaid reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Framework Agreement (i) have been negotiated on an arm's length basis; and (ii) are on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.



## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the Possible Acquisition contemplated under the Equity Transfer Framework Agreement exceed 5% but are less than 25%, the Possible Acquisition, taken individually, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

In the event the Further Acquisition materialise, the highest applicable percentage ratio in respect of the Possible Acquisition and the Further Acquisition, when calculated on an aggregated basis, exceeds 5% but is less than 25%, accordingly the Possible Acquisition and the Further Acquisition will still constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there is no other transaction entered into between any members of the Group and the Vendors within a 12-month period prior to the date of this announcement or otherwise related, which would be, together with the Possible Acquisition, regarded as a series of transactions and treated as if they are one transaction under Rule 14.22 of the Listing Rules.

**The Board wishes to emphasize that the Equity Transfer Framework Agreement may be terminated and no Formal Agreement may be entered into in respect of the Possible Acquisition in the event that the Due Diligence Investigation is not satisfactory. Accordingly, the transaction contemplated under the Equity Transfer Framework Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Bao’an Land”	a parcel of land located at Bao’an District, Shenzhen, Guangdong Province of the PRC, as further described in the paragraph headed “General Information of the Parties to and Subject Matter of the Transaction — the Bao’an Land and the Bao’an Project”
“Bao’an Project”	has the meaning ascribed to it under the paragraph headed “General Information of the Parties to and Subject Matter of the Transaction — the Bao’an Land and the Bao’an Project”
“Board”	the board of Directors
“Business Day(s)”	any day (not being a Saturday, Sunday and a public holiday) on which banks in the PRC are generally open for business throughout their normal business hours

“Company”	Jiayuan International Group Limited (佳源國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed and traded on the Stock Exchange (Stock Code: 2768)
“Consideration”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Framework Agreement — Consideration”
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Due Diligence Investigation”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Framework Agreement — Due Diligence Investigation and Exclusivity”
“Equity Transfer Framework Agreement”	a legally binding equity transfer framework agreement dated 30 December 2016 entered into among Jiayuan (Shenzhen), the Vendors and the Target Company in relation to the Possible Acquisition
“Formal Agreement”	a formal sale and purchase agreement to be entered into among the parties to the Equity Transfer Framework Agreement in relation to the Possible Acquisition
“Further Acquisition”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Framework Agreement — Further Acquisition”
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land Use Rights Approval”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Framework Agreement — Undertakings of the Vendors”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Jiayuan (Shenzhen)”	佳源(深圳)投資諮詢有限公司 (Jiayuan (Shenzhen) Investment Consulting Co., Ltd.*), a company established under the laws of PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Plot Ratio Increase Approval”	has the meaning ascribed to it under the paragraph headed “The Equity Transfer Framework Agreement — Undertakings of the Vendors”



“Possible Acquisition”	the possible acquisition of the Sale Interest by Jiayuan (Shenzhen) from the Vendors pursuant to the Equity Transfer Framework Agreement
“PRC”	the People’s Republic of China, which for the purposes of this announcement only (unless otherwise indicated) excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	49% equity interest in the Target Company
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	深圳市松齡實業有限公司 (Shenzhen Songling Industrial Co., Ltd.*), a company established under the laws of the PRC with limited liability
“Vendors”	Ms. Yuan Aiqing and Mr. Xu Yanfeng
“%”	per cent.

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB1: HK\$1.1149. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.*

By Order of the Board  
**Jiayuan International Group Limited**  
**Shum Tin Ching**  
*Chairman*

Hong Kong, 30 December 2016

*As at the date of this announcement, the non-executive Director is Mr. Shum Tin Ching; the executive Directors are Mr. Huang Fuqing, Ms. Cheuk Hiu Nam and Mr. Wang Jianfeng; and the independent non-executive Directors are Mr. Tai Kwok Leung, Alexander, Dr. Cheung Wai Bun, Charles, JP and Mr. Gu Yunchang.*

\* For identification purposes only